

INFORMATION SECRET

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SMA Lecture on Tightening of Economic Control

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SUPPLEMENT TO
REPORT NO.

1. On 30 March, German efficiency experts employed by the SMA were assembled in Karlshorst for another in a series of indoctrination lectures. Russian officers present included Col. Mikhin, Major Aleksandrov, Col. Voronin, Col. Koval, General Kvashnin, Col. Belchankov, and others. The lecture was delivered by Major Ochkin of SMA Berlin.
2. Ochkin said that production in 1947 sank considerably below the 1946 level despite orders increasing wages and improving the food ration. The explanation is that large quantities of goods evaded the control of SMA. At least 4,500 carloads were shipped to western Germany through illegal channels. The SMA is determined to correct this situation by establishing a thorough control of all items being shipped to the western zones. The latter will receive enough help through the Marshall Plan and must not receive any assistance from the Russian zone.
3. Ochkin stated that all factories whose production is considered of no or little importance to the SMA will be closed and their machinery will be transferred to factories that need it. Factories which have a record of sabotage or failure to meet quotas will receive new directors; if the latter are unable to achieve improvement, the factories will be closed. Persons who fail to meet SMA standards will suffer serious consequences. Workers whose political attitude is suspect will be transferred to other jobs. **Comment:** Probably mining in the Erzgebirge.) Trucks owned by private industry will be requisitioned to form transport units for important products. Civilian property will be requisitioned when needed. All these measures will be supervised by the German Economic Commission.
4. General Kvashnin announced that he intends to incorporate all means of transportation, including civilian vehicles, in one administration and that a wide system of railway and highway checkpoints will guarantee that the SMA has a record of every shipment.

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5. At a meeting of the same officials 27 March, Major Kusminsky had spoken in the same vein as reported above. Kusminsky also announced that the Volksret is planned as a provisional governmental body which will ultimately take over all administrative functions. Kusminsky claimed that the SMA has given up hope of a general currency reform throughout Germany; consequently a central bank for the Russian zone is to be established to be followed by a Russian zone currency reform which will not extend to Berlin.

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